Regulatory framework for healthy functioning of NBFCs

5411. SHRI P. PRABHAKAR REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India has laid down any regulatory framework to ensure sound and healthy functioning of Non-Banking Financial Companies which have access to public deposits;

(b) if so, the details thereof;

(c) if so, whether periodic inspections are conducted by the RBI on these institutions with regard to their accounting standards, asset classifications, prudential norms, income recognition and capital adequacy; and

(d) the action taken in case of any default or Japse?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b)Yes, Sir. A comprehensive regulatory framework has been put in place which is aimed at protecting the interest of depositors and ensuring that the Non-Banking Financial Companies (NBFCs) function on sound and healthy lines. The regulatory framework includes, *inter-alia,* compulsory registration, maintenance of liquid assets at a specified percentage of public deposits, transfer of at least 20 per cent of net profits to Reserve Fund and power's to RBI for issuing directions to NBFCs regarding prudential norms, audit, filing criminal complaints and winding up petitions, etc.

(c) Yes, Sir.

(d) If inspection reveals adverse features, which are dt trimental to the interest of depositors, action is taken against the defaulting companies. The action could include rejection of Certificate of Registration, p- ohibition from accepting deposits and allienation of assets, filing of criminal complaints, winding up petitions, etc.

World Bank loan for Rehabilitation Programrre in Orissa

5412. SHRI ANANTA SETHI: Will the Minister of FINANCE be pleased to state:

(a) whether Government have approached World Bank for providing loan/assis[f]ance to meet the fund requirement for providing relief & rehabilitation to the cyclone affected people in that State;

(b) if so, the amount of World Bank loan sanctioned to that State; and

(c) the term and condition laid down by the World Bank for the repayment of loan?

THEMINISTER QF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) Yes Sir. Government of India has posed the proposal to the World Bank seeking its assistance for Orissa Cyclone Mitigation and Reconstruction Project. The proposal is under consideration of the Bank.

(b) There is no commitment from the Bank for assistance as yet.

(c) In view of (b) the question does not arise at this point of time.

Imbalance prevailing in the schemes

†5413. SHRI JANESHWAR MISHRA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that 30 per cent of the total budget will be spent towards the payment of interest whereas the 5 per cent of the same will be spent on police and mere 3 per cent thereof on agro and rural development; and

(b) if so, what action is being taken by Government to remove the grave imbalances prevailing in the schemes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) The provision for 'interest payments', 'police' and 'agriculture and rural development' in the budget for the year 2000-2001 are about 30%, 2% and 6% respectively of the total expenditure of the Government.

(b) Provision for payments towards interest in the current year are meant for servicing debts raised over several years. Excluding payments on 'interest', 'defence', 'subsidies', etc., the provision for expenditure ori developmental schemes is more than those for other non-developmental activities. In para 10 of the Finance Minister's Budget speech (2000-01), several measures have been announced to deal with the situation.

New Bank branches proposed to be opened in Meghalaya

5414. SHRI ONWARD L. NONGTDU: Will the Minister of FINANCE be pleased to state:

†Original notice of the question was received in Hindi.